

LAKE PARK MUNICIPAL UTILITIES

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION AND FINDINGS**

JUNE 30, 2004

David A. Maske
Certified Public Accountant
Spencer, Iowa 51301

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LAKE PARK MUNICIPAL UTILITIES
LAKE PARK, IOWA

JUNE 30, 2004

BEFORE JANUARY, 2004

OFFICIALS

NAME	TITLE	TERM EXPIRES
Wayne Untiedt	Trustee (Chairman)	12/31/2003
Steven Krummen	Trustee (Vice-Chairman)	12/31/2004
Stan Anderson	Trustee (Board Secretary)	12/31/2008
Joe Hornick	Trustee	12/31/2006
John Thiel	Trustee	12/31/2007

AFTER JANUARY, 2004

Steven Krummen	Trustee (Chairman)	12/31/2004
Joe Hornick	Trustee (Vice-Chairman)	12/31/2006
Stan Anderson	Trustee (Board Secretary/Treasurer)	12/31/2008
John Thiel (Resigned 3/8/04)	Trustee	
John Engel	Trustee	12/31/2007
Marie Matthiesen	Trustee	12/31/2009

Bradley Brinkman	Utility Manager
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Roberta Thorn	Municipal Clerk
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lake Park Municipal Utilities
Lake Park, Iowa

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the electric, water, and gas funds of the Lake Park Municipal Utilities as of June 30, 2004, and for the year then ended. These financial statements are the responsibility of the Utilities management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly in all material respects the financial position of the electric, water, and gas funds of the Lake Park Municipal Utilities at June 30, 2004, and the results of those funds' operations and changes in cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 16, during the year ended June 30, 2004 the Utilities' adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statements No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, I have also issued my report dated August 12, 2004, on my consideration of Lake Park Municipal Utilities' internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with General Auditing Standards, and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 4 and page 15 are not required parts of the basic financial statements, but are supplementary information required by the Government Accounting Standards Board. I applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion of the financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

DAVID A. MASKE
Certified Public Accountant

August 12, 2004
Spencer, Iowa

LAKE PARK MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004

Lake Park Municipal Utilities provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- Operating revenue of the Utility-wide activities increased 19%, or approximately \$290,000 from fiscal 2003 to fiscal 2004. This was primarily from gas revenue.
- Operating expenses increased 14.7%, or approximately \$225,000 in fiscal 2004 from fiscal 2003.
- The Utilities' total net assets increased 2.2%, or approximately \$65,500 from June 30, 2003 to June 30, 2004. Total liabilities decreased less than 1% or approximately \$4,500.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial activities.

The Utilities' basic financial statements consist of balance sheets, statements of revenue, expenses and changes in retained earnings and states of cash flows. The statements provide information about the activities of the Utilities as a whole and present an overall view of the Utilities' finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Utilities' budget for the year.

Other Supplementary Information provides detailed information about the Utilities' funds.

Basis of Accounting

The Utilities maintains its financial records on accrual basis and the financial statements of the Utilities are prepared on that basis.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

One of the most important questions asked about the Utilities' finances is, "Is the Utilities as a whole better off or worse off as a result of the year's activities?" The Balance Sheets report information which helps answer this question.

The Balance Sheets presents the Utilities' net assets. Over time, increases or decreases in the Utilities' net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Financial Statements

The required financial statements include a statement of revenue, expenses and changes in retained earnings.

UTILITY WIDE FINANCIAL ANALYSIS

A summary of the changes in retained earnings follows:

	Year ended June 30,	
	2004	2003
Revenue:		
Electric Utility	\$ 685,522	\$ 640,909
Water Utility	165,290	147,600
Gas Utility	930,821	700,184
Interest	17,188	16,174
Other	15,333	19,240
Total Revenue	<u>\$ 1,814,154</u>	<u>\$ 1,524,107</u>
Expenses:		
Electric Utility	\$ 697,845	\$ 631,308
Water Utility	177,479	172,669
Gas Utility	877,921	724,132
Total Expenses	<u>\$ 1,753,245</u>	<u>\$ 1,528,109</u>
Net Income (Loss)	\$ 60,909	\$ (4,002)
Retained Earnings - Beginning of Year	<u>2,277,279</u>	<u>2,281,281</u>
Retained Earnings - End of Year	<u>\$ 2,338,188</u>	<u>\$ 2,277,279</u>

BUDGETARY HIGHLIGHTS

Over the course of the year, the Utilities' did not exceed it's budget.

DEBT ADMINISTRATION

At June 30, 2004, the Utilities' has \$245,000 in bonds and notes outstanding, compared to \$275,000 last year.

The Utilities' redeemed \$30,000 in debt during the year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utilities' finances and to show the Utilities' accountability for the money it receives.

BASIC FINANCIAL STATEMENTS

LAKE PARK MUNICIPAL UTILITIES
BALANCE SHEETS
JUNE 30, 2004

ASSETS

	ELECTRIC FUND	WATER FUND	GAS FUND
CURRENT ASSETS:			
Cash and Cash Equivalents.....	\$ 184,078	\$ 0	\$ 267,601
Accounts Receivable - Net.....	134,859	21,496	101,067
Accrued Interest Receivable	2,312	263	328
Inventories.....	143,123	18,584	22,208
Prepaid Expenses	8,122	1,592	2,918
TOTAL CURRENT ASSETS	<u>\$ 472,494</u>	<u>\$ 41,935</u>	<u>\$ 394,122</u>
 PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	 <u>\$ 682,739</u>	 <u>\$ 1,091,146</u>	 <u>\$ 183,720</u>
 OTHER ASSETS:			
Bond Costs – Net	\$ 0	\$ 6,219	\$ 0
Notes Receivable	167,909	0	11,909
TOTAL OTHER ASSETS	<u>\$ 167,909</u>	<u>\$ 6,219</u>	<u>\$ 11,909</u>
 RESTRICTED ASSETS:			
Revenue Bond Funds	\$ 0	\$ 28,677	\$ 0
 TOTAL ASSETS	 <u>\$ 1,323,142</u>	 <u>\$ 1,167,977</u>	 <u>\$ 589,751</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:			
Cash Deficit.....	\$ 0	\$ 239,142	\$ 0
Accounts Payable.....	117,104	4,855	64,814
Accrued Sales, Use, & Payroll Taxes Payable.....	2,238	1,061	694
Accrued Salaries and Vacation Payable	7,836	3,635	3,635
Accrued Interest Payable	0	755	0
Customer Meter Deposits	3,752	1,220	4,362
Current Portion Long-Term Debt	0	30,000	0
TOTAL CURRENT LIABILITIES	<u>\$ 130,930</u>	<u>\$ 280,668</u>	<u>\$ 73,505</u>
 LONG-TERM DEBT:			
Revenue Capital Notes Payable	\$ 0	\$ 245,000	\$ 0
LESS – Current Portion Above.....	0	30,000	0
TOTAL LONG-TERM DEBT	<u>\$ 0</u>	<u>\$ 215,000</u>	<u>\$ 0</u>
 FUND EQUITY:			
Contributed Capital - City of Lake Park.....	\$ 0	\$ 42,579	\$ 0
Retained Earnings - Restricted	0	28,677	0
Retained Earnings - Unrestricted	1,192,212	601,053	516,246
TOTAL FUND EQUITY	<u>\$ 1,192,212</u>	<u>\$ 672,309</u>	<u>\$ 516,246</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 1,323,142</u>	 <u>\$ 1,167,977</u>	 <u>\$ 589,751</u>

See Accompanying Notes to Financial Statements.

LAKE PARK MUNICIPAL UTILITIES
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004

	ELECTRIC FUND	WATER FUND	GAS FUND
Utilities Revenue	\$ 685,522	\$ 165,290	\$ 930,821
OPERATING EXPENSES:			
PRODUCTION AND DISTRIBUTION EXPENSES:			
Association Dues	\$ 5,514	\$ 2,280	\$ 8,208
Depreciation	55,916	61,041	24,511
Energy Conservation Program Expense.....	146	0	0
Insurance - Employees	13,304	2,034	11,500
Miscellaneous	0	0	50
Payroll Taxes and IPERS.....	18,279	2,632	12,195
Repairs, Maintenance, and Supplies	9,503	4,940	11,565
Payroll	136,450	19,826	88,418
Truck Expense	6,113	2,667	4,126
Power, Water, and Gas Purchase	366,663	50,364	658,455
Meter Testing and Repair.....	2,960	683	753
TOTAL PRODUCTION AND DISTRIBUTION EXPENSES	\$ 614,848	\$ 146,467	\$ 819,781
GENERAL AND ADMINISTRATIVE EXPENSES:			
Conventions and Training	\$ 3,560	\$ 477	\$ 1,383
Insurance and Bonds	15,128	4,365	5,284
Office Expenses	1,741	687	3,237
Other General and Administrative Expenses.....	7,290	2,772	7,073
Legal and Accounting Fees.....	3,850	1,042	2,107
Telephone	3,316	2,510	2,511
Trustee Fees	856	428	856
Engineering Fees	4,249	0	0
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$ 39,990	\$ 12,281	\$ 22,451
TOTAL OPERATING EXPENSES	\$ 654,838	\$ 158,748	\$ 842,232
OPERATING INCOME	\$ 30,684	\$ 6,542	\$ 88,589
OTHER INCOME (EXPENSE):			
Interest Income	\$ 16,661	\$ 138	\$ 389
Miscellaneous Income.....	9,748	2,395	3,190
Economic Development Contribution.....	(11,250)	0	(11,250)
Interest Expense	0	(10,032)	0
Bond Expense	0	(1,189)	0
Bad Debts	(8,888)	(4,328)	(15,910)
Payments in Lieu of Property Taxes	(22,869)	(3,182)	(8,529)
TOTAL OTHER INCOME (EXPENSE)	\$ (16,598)	\$ (16,198)	\$ (32,110)
NET INCOME (LOSS)	\$ 14,086	\$ (9,656)	\$ 56,479

See Accompanying Notes to Financial Statements.

LAKE PARK MUNICIPAL UTILITIES
STATEMENTS OF CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2004

	ELECTRIC FUND	WATER FUND	GAS FUND
Retained Earnings - July 1, 2003.....	\$ 1,178,126	\$ 639,386	\$ 459,767
Net Income (Loss).....	<u>14,086</u>	<u>(9,656)</u>	<u>56,479</u>
RETAINED EARNINGS - June 30, 2004	<u>\$ 1,192,212</u>	<u>\$ 629,730</u>	<u>\$ 516,246</u>

See Accompanying Notes to Financial Statements.

LAKE PARK MUNICIPAL UTILITIES
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

	ELECTRIC FUND	WATER FUND	GAS FUND
CASH PROVIDED FROM OPERATIONS:			
Net Income (Loss)	\$ 14,086	\$ (9,656)	\$ 56,479
Adjustments for Non-Cash Items:			
Depreciation and Amortization	<u>55,916</u>	<u>61,929</u>	<u>24,511</u>
	<u>\$ 70,002</u>	<u>\$ 52,273</u>	<u>\$ 80,990</u>
ADJUSTMENTS FOR WORKING CAPITAL CHANGES:			
Decrease (Increase) in Accounts Receivable	(5,587)	1,825	(13,113)
Decrease (Increase) in Accrued Interest Receivable	(452)	(19)	(18)
Decrease (Increase) in Inventory	16,566	3,407	6,784
Decrease (Increase) in Prepaid Expenses	(782)	(320)	(1,121)
Increase (Decrease) in Accounts Payable	14,540	483	11,932
Increase (Decrease) in Accrued Taxes Payable	(9)	132	(718)
Increase (Decrease) in Salaries & Vacation Payable	23	240	(3,157)
Increase (Decrease) in Accrued Interest Payable	0	(88)	0
Increase (Decrease) in Customer Meter Deposits	<u>2,585</u>	<u>827</u>	<u>2,663</u>
CASH PROVIDED FROM (USED BY) OPERATIONS	<u>\$ 96,886</u>	<u>\$ 58,760</u>	<u>\$ 84,242</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in Note Receivable	\$ 23,990	\$ 0	\$ 490
Acquisition of Fixed Assets	<u>(231,048)</u>	<u>(33,731)</u>	<u>(45,917)</u>
NET CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES	<u>\$ (207,058)</u>	<u>\$ (33,731)</u>	<u>\$ (45,427)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment on Long Term Debt	\$ 0	\$ (30,000)	\$ 0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (110,172)	\$ (4,971)	\$ 38,815
CASH AND CASH EQUIVALENTS - BEGINNING	<u>294,250</u>	<u>(205,494)</u>	<u>228,786</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 184,078</u>	<u>\$ (210,465)</u>	<u>\$ 267,601</u>
 Interest Paid for the Year Ended June 30, 2004	 <u>\$ 0</u>	 <u>\$ 10,120</u>	 <u>\$ 0</u>

See Accompanying Notes to Financial Statements.

LAKE PARK MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY - The financial statements include the enterprise funds of Electric, Water, and Gas which provide services to the residents of the City of Lake Park. The Lake Park Municipal Utilities is governed by a five-member board of trustees which is appointed by the Mayor and approved by the City Council of the City of Lake Park. Based on the criteria set forth by the Governmental Accounting Standards Board, the Lake Park Municipal Utilities is considered a component unit of the City of Lake Park. However, the City's report does not include financial information concerning the Utilities. Lake Park Municipal Utilities has no component units which meet the requirements of inclusion as set forth by GASB No. 14.

FUND ACCOUNTING - The accounts of the Lake Park Municipal Utilities are organized on the basis of funds, each of which is considered to be a separate accounting entity. The Lake Park Municipal Utilities maintains its records and prepares its financial statements on the accrual basis of accounting.

INVENTORIES - Inventories are valued at the lower of cost or market on a first-in, first-out (FIFO) basis.

ACCOUNTS RECEIVABLE - Accounts receivable and revenue are recorded at the time that service is billed. Unbilled revenue for service consumed between periodic scheduled billing dates is not considered to have a material effect on the financial statements. Bad debts are provided for through an allowance for doubtful accounts.

BUDGETS AND BUDGETARY ACCOUNTING - Starting with the fiscal year ending June 30, 1991, the Board of Trustees submits an annual budget independent from the City of Lake Park.

CASH AND CASH EQUIVALENTS - For the purposes of the statement of cash flows, the Utilities considers as cash and cash equivalents all currency on hand, demand deposits with banks or other financial institutions, certificates of deposits with an original maturity of one year or less, and other accounts that have the general characteristics of demand deposits in that the Utilities may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INCOME TAXES - Lake Park Municipal Utilities is exempt from Federal and State income taxes.

NOTE 2 - ACCOUNTS RECEIVABLE:

Accounts Receivable are reported net of allowance for doubtful accounts as follows:

	ELECTRIC FUND	WATER FUND	GAS FUND
Accounts Receivable - Customers	\$ 154,901	\$ 31,680	\$ 142,165
LESS - Allowance for Doubtful Accounts	<u>20,042</u>	<u>10,184</u>	<u>41,098</u>
Accounts Receivable - Net	<u>\$ 134,859</u>	<u>\$ 21,496</u>	<u>\$ 101,067</u>

LAKE PARK MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2004

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT:

The report sets forth the original cost of the assets and accumulated depreciation thereon, based on depreciation rates commensurate with the average normal useful life of the various components of the plant and system. Subsequent additions to the plant and system are recorded on the basis of materials and direct labor costs only and no overhead to cover such items as payroll taxes, materials, handling and transportation has been capitalized. The Utility has accounted for existing infrastructure through the use of the above valuation report.

Depreciation rates have been applied on a straight-line basis. Estimated useful lives, in years, for depreciable assets are as follows:

Building and Plant-----	20-50
Equipment -----	5-20
Distribution System -----	20-67

A summary of changes in fixed assets is as follows:

	BALANCE AT JULY 1, 2003	ADDITIONS	DELETIONS	BALANCE AT JUNE 30, 2004
-----ELECTRIC FUND-----				
Land and Improvements.....	\$ 2,000	\$ 0	\$ 0	\$ 2,000
Plant and Distribution System	1,280,588	228,914	0	1,509,502
Equipment and Fixtures	<u>362,658</u>	<u>2,135</u>	<u>0</u>	<u>364,793</u>
TOTAL	\$ 1,645,246	\$ 231,049	\$ 0	\$ 1,876,295
LESS - Accumulated Depreciation	<u>(1,137,640)</u>	<u>(55,916)</u>	<u>0</u>	<u>(1,193,556)</u>
NET	<u>\$ 507,606</u>	<u>\$ 175,133</u>	<u>\$ 0</u>	<u>\$ 682,739</u>
-----WATER FUND-----				
Land and Improvements.....	\$ 34,278	\$ 0	\$ 0	\$ 34,278
Plant and Distribution System	1,870,563	33,359	0	1,903,922
Equipment and Fixtures	<u>159,739</u>	<u>372</u>	<u>0</u>	<u>160,111</u>
TOTAL	\$ 2,064,580	\$ 33,731	\$ 0	\$ 2,098,311
LESS - Accumulated Depreciation	<u>(946,124)</u>	<u>(61,041)</u>	<u>0</u>	<u>(1,007,165)</u>
NET	<u>\$ 1,118,456</u>	<u>\$ (27,310)</u>	<u>\$ 0</u>	<u>\$ 1,091,146</u>
-----GAS FUND-----				
Land and Improvements.....	\$ 2,000	\$ 0	\$ 0	\$ 2,000
Plant and Distribution System	378,233	36,726	0	414,959
Equipment and Fixtures	<u>160,818</u>	<u>9,191</u>	<u>0</u>	<u>170,009</u>
TOTAL	\$ 541,051	\$ 45,917	\$ 0	\$ 586,968
LESS - Accumulated Depreciation	<u>(378,737)</u>	<u>(24,511)</u>	<u>0</u>	<u>(403,248)</u>
NET	<u>\$ 162,314</u>	<u>\$ 21,406</u>	<u>\$ 0</u>	<u>\$ 183,720</u>

LAKE PARK MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2004

NOTE 4 - LONG-TERM DEBT:

Water Fund

During the year ended June 30, 2002, the Utility issued Water Revenue Capital Loan Notes in the amount of \$300,000, for water utility capital improvements. The notes bear interest from 3.0% - 4.0%, and mature annually from June 1, 2002 to June 1, 2011.

The resolution providing for the issuance of the revenue notes provides for the creation of a Sinking Fund and a Reserve Fund. Funds will be set aside in the Sinking Fund in an amount sufficient to pay the annual principal and interest. Funds will be set aside in a Reserve Fund, to provide support to the Sinking Fund. The maximum amount required in the Reserve Fund is \$30,000.

A Summary of the Water Fund's June 30, 2004 indebtedness is as follows:

Year Ending June 30,	
2005	\$ 30,000
2006	30,000
2007	35,000
2008	35,000
Thereafter	115,000
Total	<u>\$ 245,000</u>

A summary of the changes in long-term debt for the year ended June 30, 2004 is as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Due Dates</u>	<u>Balance 07/01/03</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 06/30/04</u>
Water Revenue							
Capital Loan Notes	\$ 300,000	3.0% - 4.0%	2004-2011	<u>\$275,000</u>	<u>\$ 0</u>	<u>\$ 30,000</u>	<u>\$ 245,000</u>

NOTE 5 - PENSION AND RETIREMENT BENEFITS:

The Utilities contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Utilities is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Utilities' contribution to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$14,073, \$13,425, and \$11,234, respectively, equal to the required contributions for each year.

NOTE 6 - DEPOSITS AND INVESTMENTS:

The Utilities deposits in banks at June 30, 2004, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utilities are authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high-rated commercial paper; perfected purchase agreement; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utilities had no investments at June 30, 2004.

LAKE PARK MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2004

**NOTE 7 - RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT
OF CASH FLOWS TO THE BALANCE SHEET:**

	BALANCE 7/1/2003	INCREASE (DECREASE)	BALANCE 6/30/2004
<u>ELECTRIC FUND:</u>			
Cash on Hand -----	\$ 175	\$ 0	\$ 175
Cash in Bank - Checking -----	198,822	110,172	88,650
Cash in Bank - Savings -----	253	0	253
Time CD's -----	95,000	0	95,000
	<u>294,250</u>	<u>110,172</u>	<u>184,078</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 294,250</u>	<u>\$ 110,172</u>	<u>\$ 184,078</u>
<u>WATER FUND:</u>			
Cash in Bank - Checking (Deficit) -----	\$ (205,494)	\$ (29,971)	\$ (235,465)
Time CD -----	0	25,000	25,000
	<u>(205,494)</u>	<u>(4,971)</u>	<u>(210,465)</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ (205,494)</u>	<u>\$ (4,971)</u>	<u>\$ (210,465)</u>
<u>GAS FUND:</u>			
Cash in Bank -----	\$ 228,786	\$ 38,815	\$ 267,601

NOTE 8 - COMPENSATED ABSENCES:

The Utilities' employees accumulated vacation, sick leave, and "comp time" hours for subsequent use. The employees receive payment for accumulated vacation and "comp time" hours upon termination, retirement, or death, and therefore the appropriate liability has been recorded on the Utilities' records.

The employees are not compensated for accumulated sick leave hours upon termination, retirement, or death.

NOTE 9 - INTEREST EXPENSE:

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. The Utilities had no capitalized interest for the year ended June 30, 2004.

NOTE 10 - RISK MANAGEMENT

Lake Park Municipal Utilities is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

LAKE PARK MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2004

NOTE 11 - NOTES RECEIVABLE:

In 1991, Lake Park Municipal Utilities loaned NIDC Corp. of Lake Park, Iowa \$165,000. Interest is payable annually until 2002, at which time \$17,000 plus interest shall be due each and every year thereafter until fully paid. The loan is secured by a mortgage on the land and the building. If certain economic conditions are attained by NIDC Corp. within the next 4 to 9 years, a portion of the note, not to exceed \$80,000, may be forgiven. During the years ended June 30, 1996 and June 30, 2002, \$40,000 was forgiven each year.

With respect to the above note, Lake Park Municipal Utilities has agreed to finance the interest paid by NIDC Corp. by making contributions to the Lake Park Development Corporation, who in return, will provide NIDC Corp. with funds sufficient to service the interest.

Lake Park Municipal Utilities loaned \$165,000 to the City of Lake Park, Iowa in 1991. Interest is payable semi-annually, over the life of the loan, with annual principal payments of \$15,000 beginning June 1 of 2002 through 2007 and annual principal payments of \$20,000 on June 1, 2008 through 2010. The City will finance the note through the issuance of general obligation capital loan notes.

In 1995, Lake Park Municipal Utilities loaned \$30,000 to Silver Lake Apartments, Limited Partnership a housing project for senior citizens. The note is to be paid back over fifteen years at an annual interest rate of 3% and is due on September 1, 2010. The note is secured by the buildings, personal property and revenues of the partnership. The note's payments are amortized over twenty five years with the first year payment deferred, with the note to be paid in full in fifteen years. The payments are to be made from the partnership's surplus cash as defined in the promissory note.

Balance:

Electric Fund:

NIDC.....	\$	51,000
City of Lake Park		105,000
Silver Lake Apartments		11,909
TOTAL	\$	<u>167,909</u>

Gas Fund:

Silver Lake Apartments	\$	<u>11,909</u>
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NOTE 12 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK:

Lake Park Municipal Utilities grants credit to customers, all of whom are local residents.

NOTE 13 - RATES:

Rates of the Municipal Utilities of the City of Lake Park, Iowa are established by the Board of Trustees.

NOTE 14 - ECONOMIC DEVELOPMENT PAYMENTS:

By authorization of the Board of Trustees, funds were expended for economic development benefiting the City of Lake Park, Iowa and Lake Park Municipal Utilities.

NOTE 15 - PAYMENTS IN LIEU OF PROPERTY TAXES:

By resolution of the Board of Trustees, voluntary payments in lieu of property taxes are made to the City of Lake Park, Iowa. Currently, payments approximate the City's utility usage.

LAKE PARK MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2004

NOTE 16 - ACCOUNTING CHANGE

Governmental Accounting Standards Boards Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the Utilities' financial activities.

REQUIRED SUPPLEMENTAL INFORMATION

LAKE PARK MUNICIPAL UTILITIES
BUDGETARY COMPARISON OF REVENUES, EXPENSES AND
CHANGES IN BALANCES
FOR THE YEAR ENDED JUNE 30, 2004

	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE:			
Charges for Services.....	\$ 1,781,633	\$ 1,685,000	\$ 96,633
Non-Operating.....	<u>32,521</u>	<u>50,000</u>	<u>(17,479)</u>
TOTAL REVENUE	\$ 1,814,154	\$ 1,735,000	\$ 79,154
EXPENSES:			
Business Enterprises	<u>\$ 1,753,245</u>	<u>\$ 1,849,155</u>	<u>\$ 95,910</u>
EXCESS (DEFICIENCY) OF REVENUE OVER DISBURSEMENTS.....	\$ 60,909	\$ (114,155)	<u>\$ 175,064</u>
FUND BALANCE - JULY 1, 2003	<u>2,319,858</u>	<u>2,445,208</u>	
FUND BALANCE - JUNE 30, 2004	<u>\$ 2,380,767</u>	<u>\$ 2,331,053</u>	

See Accompanying Notes to Financial Statements.

LAKE PARK MUNICIPAL UTILITIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
JUNE 30, 2004

In accordance with the Code of Iowa, the Utilities annually adopts a budget, following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

OTHER SUPPLEMENTAL INFORMATION

LAKE PARK MUNICIPAL UTILITIES
COMPARATIVE BALANCE SHEETS
JUNE 30,

ASSETS

	-----ELECTRIC FUND-----		-----WATER FUND-----		-----GAS FUND-----	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ 184,078	\$ 294,250	\$ 0	\$ 0	\$ 267,601	228,786
Accounts Receivable - Net	134,859	129,272	21,496	23,321	101,067	87,954
Accrued Interest Receivable	2,312	1,860	263	244	328	310
Inventories	143,123	159,689	18,584	21,991	22,208	28,992
Prepaid Expenses	8,122	7,340	1,592	1,272	2,918	1,797
TOTAL CURRENT ASSETS	<u>\$ 472,494</u>	<u>\$ 592,411</u>	<u>\$ 41,935</u>	<u>\$ 46,828</u>	<u>\$ 394,122</u>	<u>\$ 347,839</u>
PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	<u>\$ 682,739</u>	<u>\$ 507,606</u>	<u>\$ 1,091,146</u>	<u>\$ 1,118,456</u>	<u>\$ 183,720</u>	<u>\$ 162,314</u>
OTHER ASSETS:						
Bond Costs - Net	\$ 0	\$ 0	\$ 6,219	\$ 7,107	\$ 0	\$ 0
Notes Receivable	167,909	191,899	0	0	11,909	12,399
TOTAL OTHER ASSETS	<u>\$ 167,909</u>	<u>\$ 191,899</u>	<u>\$ 6,219</u>	<u>\$ 7,107</u>	<u>\$ 11,909</u>	<u>\$ 12,399</u>
RESTRICTED ASSETS:						
Revenue Bond Funds	\$ 0	\$ 0	\$ 28,677	\$ 3,538	\$ 0	\$ 0
TOTAL ASSETS	<u>\$ 1,323,142</u>	<u>\$ 1,291,916</u>	<u>\$ 1,167,977</u>	<u>\$ 1,175,929</u>	<u>\$ 589,751</u>	<u>\$ 522,552</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:						
Cash Deficit	\$ 0	\$ 0	\$ 239,142	\$ 209,032	\$ 0	\$ 0
Accounts Payable	117,104	102,564	4,855	4,372	64,814	52,882
Accrued Sales, Use & Payroll Taxes Payable	2,238	2,247	1,061	929	694	1,412
Accrued Salaries and Vacation Payable	7,836	7,813	3,635	3,395	3,635	6,792
Accrued Interest Payable	0	0	755	843	0	0
Customer Meter Deposits	3,752	1,167	1,220	393	4,362	1,699
Current Portion Long-Term Debt	0	0	30,000	30,000	0	0
TOTAL CURRENT LIABILITIES	<u>\$ 130,930</u>	<u>\$ 113,791</u>	<u>\$ 280,668</u>	<u>\$ 248,964</u>	<u>\$ 73,505</u>	<u>\$ 62,785</u>
LONG-TERM DEBT:						
Revenue Capital Notes Payable	\$ 0	\$ 0	\$ 215,000	\$ 245,000	\$ 0	\$ 0
FUND EQUITY:						
Contributed Capital - City of Lake Park	\$ 0	\$ 0	\$ 42,579	\$ 42,579	\$ 0	\$ 0
Retained Earnings	1,192,212	1,178,125	629,730	639,386	516,246	459,767
TOTAL FUND EQUITY	<u>\$ 1,192,212</u>	<u>\$ 1,178,125</u>	<u>\$ 672,309</u>	<u>\$ 681,965</u>	<u>\$ 516,246</u>	<u>\$ 459,767</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,323,142</u>	<u>\$ 1,291,916</u>	<u>\$ 1,167,977</u>	<u>\$ 1,175,929</u>	<u>\$ 589,751</u>	<u>\$ 522,552</u>

LAKE PARK MUNICIPAL UTILITIES
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30,

	-----ELECTRIC FUND-----		-----WATER FUND-----		-----GAS FUND-----	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
UTILITIES REVENUE	\$ 685,522	\$ 640,909	\$ 165,290	\$ 147,600	\$ 930,821	\$ 700,184
OPERATING EXPENSES:						
PRODUCTION AND DISTRIBUTION EXPENSES:						
Association Dues	\$ 5,514	\$ 5,170	\$ 2,280	\$ 1,907	\$ 8,208	\$ 6,130
Depreciation	55,916	49,191	61,041	58,858	24,511	23,419
Energy Conservation Program Expense	146	0	0	0	0	8,522
Insurance - Employees	13,304	10,532	2,034	1,832	11,500	12,193
Miscellaneous	0	2,367	0	0	50	0
Payroll Taxes and IPERS	18,279	16,098	2,632	2,385	12,195	12,920
Repairs, Maintenance, and Supplies	9,503	14,615	4,940	12,981	11,565	14,859
Payroll	136,450	121,543	19,826	17,871	88,418	98,009
Truck Expense	6,113	2,902	2,667	2,833	4,126	4,660
Power, Water, and Gas Purchase	366,663	332,610	50,364	43,912	658,455	505,617
Meter Testing and Repair	2,960	1,540	683	619	753	1,233
TOTAL PRODUCTION AND DISTRIBUTION EXPENSES	<u>\$ 614,848</u>	<u>\$ 556,568</u>	<u>\$ 146,467</u>	<u>\$ 143,198</u>	<u>\$ 819,781</u>	<u>\$ 687,562</u>
GENERAL AND ADMINISTRATIVE EXPENSES:						
Conventions and Training	\$ 3,560	\$ 3,151	\$ 477	\$ 1,666	\$ 1,383	\$ 1,888
Insurance and Bonds	15,128	14,302	4,365	3,275	5,284	3,327
Office Expenses	1,741	5,078	687	467	3,237	5,214
Other General and Administrative Expenses	7,290	5,785	2,772	6,401	7,073	7,086
Legal and Accounting Fees	3,850	1,761	1,042	881	2,107	1,761
Telephone	3,316	2,451	2,510	2,425	2,511	2,441
Trustee Fees	856	734	428	517	856	734
Engineering Fees	4,249	10,042	0	22	0	0
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 39,990</u>	<u>\$ 43,304</u>	<u>\$ 12,281</u>	<u>\$ 15,654</u>	<u>\$ 22,451</u>	<u>\$ 22,451</u>
TOTAL OPERATING EXPENSES	<u>\$ 654,838</u>	<u>\$ 599,872</u>	<u>\$ 158,748</u>	<u>\$ 158,852</u>	<u>\$ 842,232</u>	<u>\$ 710,013</u>
OPERATING INCOME (LOSS)	<u>\$ 30,684</u>	<u>\$ 41,037</u>	<u>\$ 6,542</u>	<u>\$ (11,252)</u>	<u>\$ 88,589</u>	<u>\$ (9,829)</u>
OTHER INCOME (EXPENSE):						
Interest Income	\$ 16,661	\$ 15,377	\$ 138	\$ 408	\$ 389	\$ 389
Miscellaneous Income	9,748	16,030	2,395	2,106	3,190	1,104
Economic Development Contribution	(11,250)	(5,000)	0	0	(11,250)	(5,000)
Interest Expense	0	(38)	(10,032)	(11,713)	0	(62)
Bond Expense	0	0	(1,189)	(1,189)	0	0
Bad Debts	(8,888)	0	(4,328)	0	(15,910)	0
Payments in Lieu of Property Taxes	(22,869)	(26,398)	(3,182)	(915)	(8,529)	(9,057)
TOTAL OTHER INCOME (EXPENSE)	<u>\$ (16,598)</u>	<u>\$ (29)</u>	<u>\$ (16,198)</u>	<u>\$ (11,303)</u>	<u>\$ (32,110)</u>	<u>\$ (12,626)</u>
NET INCOME (LOSS)	<u>\$ 14,086</u>	<u>\$ 41,008</u>	<u>\$ (9,656)</u>	<u>\$ (22,555)</u>	<u>\$ 56,479</u>	<u>\$ (22,455)</u>

DAVID A. MASKE

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Trustees
Lake Park Municipal Utilities
Lake Park, Iowa

I have audited the financial statements of the Lake Park Municipal Utilities as of and for the year ended June 30, 2004, and have issued my report thereon dated August 12, 2004. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles. I conducted my audit in accordance with generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Lake Park Municipal Utilities' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Utilities. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Lake Park Municipal Utilities' internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Utilities' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item 04-I-A is a material weakness. Prior year reportable conditions have been resolved except 04-I-A.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Lake Park and other parties to whom the Lake Park Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than those specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Lake Park Municipal Utilities during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

DAVID A. MASKE
Certified Public Accountant

August 12, 2004
Spencer, Iowa

LAKE PARK MUNICIPAL UTILITIES

SCHEDULE OF FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

PART I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

04-I-A Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the cash receipts listing, bank deposits, the posting of the transactions to journals, and check signing are all done by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the Utilities should review its operating procedures to obtain the maximum internal control possible under the circumstances. I recognize that the Board of Trustees takes an active interest in the review of monthly transactions, and recommend that this participation continues.

Response - We will continue reviewing procedures for additional control features.

Conclusion - Response accepted.

PART II - OTHER FINDINGS RELATED TO STATUTORY REPORTING:

04-II-A Official Depositories - A resolution naming official depositories has been approved by the Utilities. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

04-II-B Certified Budget - Disbursements during the year ended June 30, 2004, did not exceed the amounts budgeted.

04-II-C Questionable Disbursements - I noted no expenditures that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

04-II-D Travel Expense - No expenditures of Utilities' money for travel expenses of spouses of Utilities' officials or employees were noted.

04-II-E Business Transactions - I noted no business transactions between the Utilities and Utilities' officials or employees during the year.

04-II-F Bond Coverage - Surety bond coverage of Utilities' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

04-II-G Board Minutes - No transactions were found that I believe should have been approved in the Trustee minutes but were not.

04-II-H Revenue Notes - The Utilities is in compliance with all requirements of the bond resolution, at June 30, 2004, including cash reserves.

04-II-I Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Utilities' investment policies.